

June 25, 2015

North Carolina Chamber Position

- In 2012, the NC Chamber met with a dozen local chambers of commerce and more than 100 leaders and representatives from the broad-based business community to gain feedback on our state's tax policy and future direction. That tour led to the development of our five essential tax policy principles we use as a filter in the continued discussion around tax reform and modernization – those five principles are tax competitiveness, equity, efficiency, simplicity and certainty.
- The NC Chamber continues to prioritize single sales factor apportionment for businesses, franchise tax reform, lowering the personal income tax (PIT), addressing revenue triggers for the corporate income tax rate (CIT), and expiring incentives. Additionally, employers need more certainty in the health care system as implementation of the Affordable Care Act has increased confusion around how providing coverage to employees impacts their bottom lines.
- We are encouraged by a number of proposals introduced in both chambers this session that make it clear North Carolina's leaders recognize the importance of a competitive tax climate. Chief among those measures are the adoption of a single sales factor apportionment formula for corporate income taxes, reductions in the CIT from the current level of 5 percent to 4 percent in 2016 and 3 percent in 2017, continued efforts to reduce the PIT, and a 33 percent reduction in the franchise tax rate.
- As discussions around tax and economic development planning continue, it is important to recognize that the state business climate should not be viewed as a competition between large and small employers, but rather as an "ecosystem" that supports a healthy environment to grow opportunities for companies of all sizes and therefore citizens of our state. Data from many sources supports the idea that investments in the private sector create multiplying effects that lead to job growth throughout all sectors of an economy and sizes of business.
- According to a consensus revenue report released by the state earlier this year, the successful 2013 tax reforms helped create an estimated \$400 million revenue surplus above the \$21 billion budgeted for the 2014-2015 fiscal year. Other states are not standing still on tax reform, however, and further reforms to North Carolina's tax code will continue to improve our competitiveness and create even more revenue to use for initiatives like long-term transportation reform, which will grow economic opportunities for all North Carolinians.
- We thank the House Finance Committee for continuing this vital conversation and we know the future of North Carolina's economic competitiveness is in competent hands.